Financial Aid Update

October 11, 2019

Financial Aid Review

Budget Bill - HB1700 (Chapter 854)

K. 1. The State Council of Higher Education for Virginia, in consultation from representatives from House Appropriations Committee, Senate Finance Committee, Department of Planning and Budget, Secretary of Finance and Secretary of Education, as well as representatives of public higher education institutions, shall review financial aid **funding models and awarding practices.**

2. The Council shall review current and prospective financial aid funding models including, but not limited to, how the various models determine individual and aggregate student financial need, the recommended state portion of meeting that need, how funding is most efficiently and effectively allocated among the institutions, how financial aid allocations can be aligned with other funding for higher education and how these funds are used to **address student affordability and completion of a degree**. The review shall also assess how the utilization of tuition and fee revenue for financial aid, pursuant to the Top Jobs Act, prioritizes and addresses affordability for **low- and middle-income students.**

3. By November 1, 2019, the Council shall submit a report and any related recommendations to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees.

Process

- Created committee of representatives from
  - House and Senate budget committees, Secretary of Education and Finance, Department of Planning & Budget (Capitol Square)
  - Public institutions: including financial aid, president, vice president, and finance officer (institutions).

- From April through September, met three times as a full committee and also separately.

Issues with Current System

Themes after conversations with institutions, Capitol Square and SCHEV staff:

- Complexity: Partnership model is relatively complex w/arbitrary discounts
- Tuition Increases: Calculated need reacts strongly to tuition increases
- Low-income students: Question about whether funds are equitably assigned to institutions enrolling more low-income students
- Percent of need met: This methodology provides an inaccurate assessment of where dollars are most needed.
  - Compare two institutions with 40% and 35% of need met.

  But they are not starting with the same base:
  - If Institution A has 40% of $6,000 funded and Institution B has 35% of $4,000 funded, institution A still has the greatest average need after funding.

Current System – Four-Year College Averages by FPL

Students attending public 4-year institutions (2017-18)				
Income Group	**Sum of State Gift Aid**	**Average Award**	**Average Net Price**	**Average Unmet Need**
Low	$90,880,693	$2,688	$12,965	$12,378
Middle	$48,017,339	$1,915	$17,987	$11,118
High	$11,781,752	$647	$22,490	$6,158
All	**$150,679,784**	**$1,954**	**$16,849**	**$10,498**

Low-income students receive higher average awards…

But they still have **higher** unmet need than middle- and high-income students.

Current System – Two-Year College Averages by FPL

Students attending public 2-year institutions (2017-18)				
Income Group	**Sum of State Gift Aid**	**Average Award**	**Average Net Price**	**Average Unmet Need**
Low	$26,518,003	$602	$7,669	$7,318
Middle	$12,881,602	$768	$9,998	$4,944
High	$940,653	$364	$11,688	$1,386
All	**$40,340,259**	**$636**	**$8,449**	**$6,449**

Due to Pell grant, lower-income students receive smaller average state awards…

Focus is generally more on meeting direct costs (as reflected in Net Price) than on Unmet Need.

Current System – Low-Income Concentration

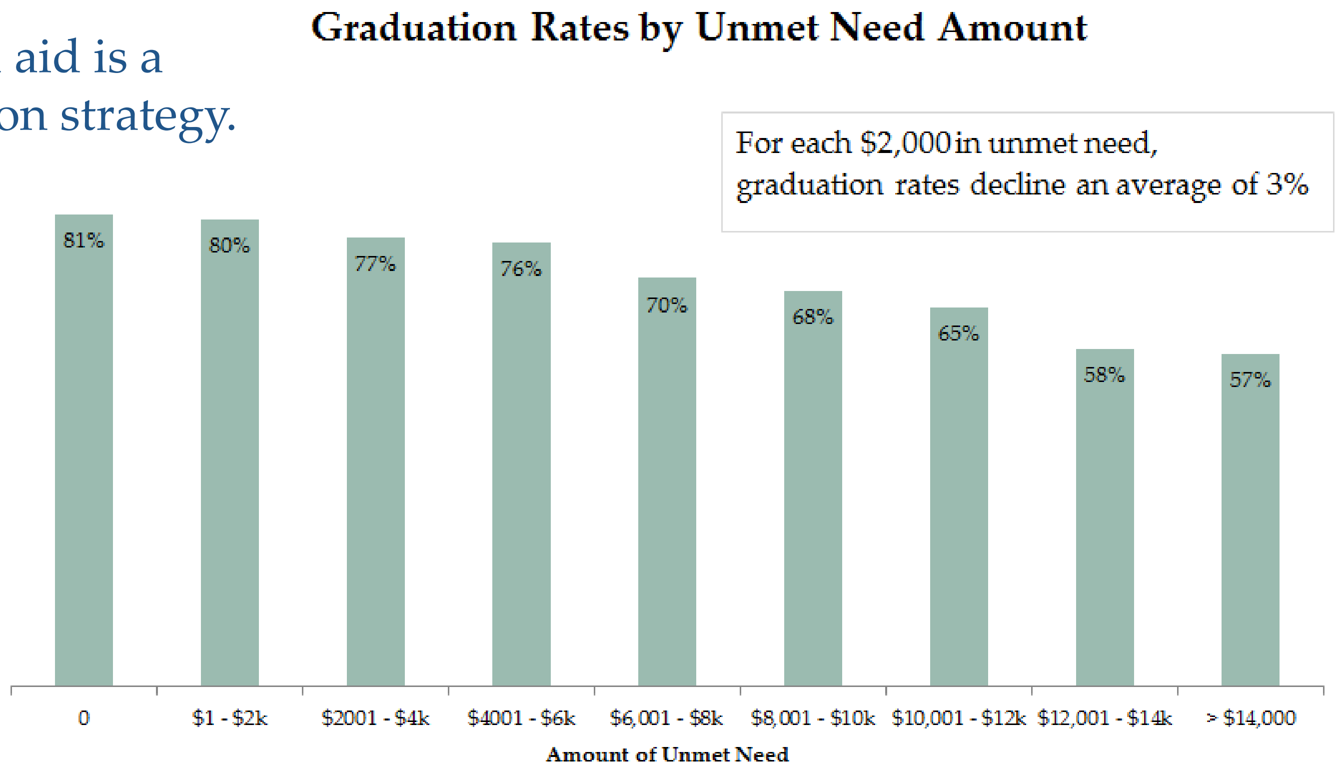
Enrollment by Income Group

Institution	Low-Income	Middle-Income	High-Income
Norfolk State University	69%	24%	7%
Virginia State University	67%	26%	8%
UVA-Wise	54%	34%	12%
Old Dominion University	54%	31%	15%
George Mason University	50%	31%	19%
Radford University	44%	36%	20%
Virginia Commonwealth University	41%	32%	27%
University of Mary Washington	37%	35%	29%
Virginia Tech	35%	35%	30%
University of Virginia	35%	33%	32%
Longwood University	33%	37%	30%
James Madison University	30%	38%	33%
College of William and Mary	28%	34%	39%
Christopher Newport University	23%	35%	42%
Virginia Military Institute	20%	39%	40%
Total	**44%**	**33%**	**24%**

Variations in **intensity** of low-income students

Completion & Unmet Need

Financial aid is a completion strategy.



Allocation Model

Alternatives for Allocation Model - Summary

1) COA-Based: “Make Higher Education Affordable”
   - Best positioned model to address Net Price or Unmet Need.

2) Tuition-Based: “Make Tuition Affordable”
   - Establishes a clear link between financial aid policy and tuition policy. Any change in tuition has a clear and measurable impact on financial aid.

3) EFC-Based: “Focus on Low Income Enrollments”
   - Funding is weighted toward where low income students are enrolled.

Model under Development

There was a great deal of interest in both the COA and EFC models. Staff have combined the two into one model.

- Used tuition averages to minimize the impact of tuition increases for high tuition institutions.
- Base funding on reducing average need instead of percent of need met. (direct $ to most needy)
- Provide bonus funding using EFC. (reward enrollment of low income)

Funding Recommendations

Tuition Assistance Grant Program

Requesting an increase of $175 to $3,575 for both FY21 and FY22.

VSFAP

Recommendations are under development and will be finalized early next week. Will use a new funding model designed to direct more funding to institutions with higher need students and more low income enrollments.

Award Issues

Current Awarding Policy

Institutional Concerns:

- Requiring at least tuition for the neediest students can result in funds being front-loaded to the neediest students, reducing institutional flexibility to meet needs across income levels.

- Requiring other gift aid to be considered creates additional administrative steps, often handled manually.

- The new progression incentives have made VGAP more complex and likely not getting desired results.

Current Awarding Policy

Student Concerns:

- Not possible for a student to project the state award, leading some to believe higher education is not affordable.
- Awards differ across institutions for students with equivalent need, causes confusion for those applying to multiple institutions or families with children enrolled across multiple institutions.
- Awards are impacted by receipt of other forms of aid, resulting in students feeling penalized.

Alternatives for Awarding Policy

Awarding Policy Options Considered:

a) Greater institutional flexibility

OR

b) State-directed awards

State Directed

- Can be done with or without centralization of administration
- State determines award schedule based on students' EFC or other calculation.
- Does not have to be an entitlement
  - Institutions could award until funds are exhausted
  - State could prorate award amount based on available funding
- Ensures a consistent award across institutions
- Easier to brand and market
- Removes much of the administrative burden on institutions and simplifies oversight

Under Consideration

- Reduce programs to just one: Commonwealth Award
- Provide greater flexibility in award formula by permitting any combination of COA, EFC, gift aid.
- Replace VGAP with a Commonwealth bonus, listed separately on the award letter.
- Replace progression incentive with requirement to complete 30 hours per academic year.
- Adjust minimum award from "at least tuition" to a combination of federal and state aid to equal at least tuition, fees, and books.
- Restrict access to state aid for high income students

Next Steps

By the 2021 session of the General Assembly:

- Continue to refine the allocation model
- Explore the awarding options to determine what is feasible, what helps students, and to avoid adverse unintended consequences.

Accountability

- Performance metrics for increased funding
- SCHEV measures outcomes of financial aid awards:
  - Number of low-income students enrolled
  - Completions by low-income students
  - Reduction in unmet need for low- and middle-income students (or gap between low- and middle-income students)
- Performance drives future allocations

Award Letters

Award Letters

Must provide

- Breakdown of cost of attendance designating billable charges.
- Clear identification of type of award
- Standard terminology
- Conditions for awards (dependent, full-time, on-campus)
- Eligibility criteria (including renewal)

Can make use of providing URL

Results

- About a third of institutions are approved on first review.

- About a third have very minor issues: providing consistent terms (VGAP) or a statement directing students to a URL.

- About a third have substantive issues, such as calculating direct charges and net of direct charges, separating gift aid from loans, etc.

Status

- Four-Year Publics: 6 approved, 5 in review, 3 have scheduled submission dates, 1 has not reported
- Two-Year Publics: VCCS under review
- Privates: 9 approved, 6 in review, 4 revisions requested, 1 scheduled submission, 8 have not yet reported.

If not yet submitted, let us know when expect to submit and when the letter is expected to be used. Plan for about 4-6 weeks.

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